

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ESTABLISHMENT OF A COLLABORATIVE	)	
FORUM TO DISCUSS ISSUES RELATED TO	)	ADMINISTRATIVE
NATURAL GAS UNBUNDLING AND THE	)	CASE NO. 367
INTRODUCTION OF COMPETITION TO THE	)	
RESIDENTIAL NATURAL GAS MARKET	)	

O R D E R

In 1987<sup>1</sup> the Commission required each gas utility operating within the Commonwealth of Kentucky to offer transportation of natural gas on a nondiscriminatory, first-come, first-served basis. Each of the five major local gas distribution companies ("LDCs")<sup>2</sup> were required to maintain such tariffs on file with the Commission. Subsequent filings by these utilities, and the Commission's own policy initiatives, have continued the move toward unbundling much of the non-residential natural gas market in Kentucky. Presently, large volume customers of jurisdictional utilities are able to acquire firm and interruptible transportation service upon request. However, none of the

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<sup>1</sup> Administrative Case No. 297, An investigation of the Impact of Federal Policy on Natural Gas to Kentucky Consumers and Suppliers, Orders entered May 27, 1987, October 23, 1987, and August 18, 1993, respectively.

<sup>2</sup> Louisville Gas and Electric Company ("LG&E"), Western Kentucky Gas Company ("WKG"), Columbia Gas of Kentucky, Inc. ("CKY"), The Union Light, Heat and Power Company ("ULH&P"), and Delta Natural Gas Company, Inc. ("Delta").

transportation programs presently in place by any gas utility allow residential customers<sup>3</sup> the opportunity to choose a supplier.

Beginning in January 1997 the Commission initiated a series of informal discussions with representatives of natural gas utilities, marketers and energy consultants, and other parties regarding the natural gas industry in Kentucky today.<sup>4</sup> One of the issues addressed at each of the meetings was whether further natural gas unbundling, particularly competition in the residential gas supply market, is in the public interest; and, if so, the manner in which it should be implemented.

Upon conclusion of the informal meetings, Commission Staff ("Staff") issued a report July 11, 1997, summarizing the discussions which took place.<sup>5</sup> The report included a number of issues characterized as principal to any serious consideration of gas unbundling. These issues included: reliability and safety; stranded costs; universal service; and deliverability. On August 22, 1997, a public meeting was conducted by the Commission and Staff, as a follow-up to the report, during which these issues and others

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<sup>3</sup> While the term "residential" is used in this Order to designate that portion of the gas market not open to gas transportation programs, the scope of this Order applies to commercial and small industrial customers who, due to load characteristics, do not qualify for existing LDC transportation tariffs.

<sup>4</sup> Meetings were conducted individually with each of the five major gas LDCs - LG&E, WKG, CKY, ULH&P, and Delta; the Attorney General's Office ("AG"); the Legislative Research Commission ("LRC") staff; and Kentucky Industrial Utility Customers ("KIUC"). All other meetings were held separately with stakeholder groups: marketing affiliates of the LDCs; independent marketers; groups representing residential customers; small LDCs; and energy conservation representatives.

<sup>5</sup> Ralph E. Dennis, Natural Gas Unbundling in Kentucky: Exploring the Next Step Toward Customer Choice, Kentucky Public Service Commission, July 11, 1997.

were discussed by utilities, marketers, and individuals representing residential customers. Many of these commenters had also participated in the informal discussions earlier in the year.

At the public meeting CKY, Cinergy<sup>6</sup> and LG&E indicated that legislation was a necessary first step toward gas unbundling, and that the legislative process would provide ample opportunity for interested parties to comment on any proposed legislation. Since that meeting the Commission has been advised that these utilities, along with WKG and Delta, are discussing a proposed draft bill relating to gas unbundling, with the intention of having it introduced during the 1998 General Session of the Kentucky General Assembly.

The Commission is of the opinion that the public interest is best served if residential gas unbundling issues are discussed among utilities, their customers, marketers, and other stakeholders in an open forum preceding the introduction of legislation. Therefore, the Commission finds that a collaborative forum should be established for purposes of: 1) furthering the discussion of issues related to natural gas unbundling and retail gas competition; and 2) anticipating the introduction of gas unbundling legislation in the 1998 General Session, furthering the development of efficient unbundled retail natural gas services which are in the public interest. The Commission's objective is to ensure that the public's interests are met, and not just those of the parties who would seek to serve the public.

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<sup>6</sup> ULH&P is an operating subsidiary of Cinergy Corporation.

The Commission, on its own motion, HEREBY ORDERS that:

1. A Collaborative forum ("Collaborative") be established to discuss issues related to natural gas unbundling and retail gas competition. LG&E, WKG, CKY, ULH&P and Delta shall designate representatives to participate in the Collaborative's discussions. The Commission will immediately notify other stakeholders, including marketers, public interest groups, and the AG's office, to invite their participation in the Collaborative forum. Prior to the first Collaborative meeting, the members shall be notified of the Collaborative's membership and the agenda for each of the three meetings.

2. The Collaborative's discussions shall include, but not necessarily be limited to, the following issues: consumer protection and social programs; mitigation of gas-related and non-gas related transition, or stranded costs; marketer qualifications; reliability and safety; supplier of last resort and other deliverability concerns; services which can be offered on a competitive basis; ensuring full and fair competition in the retail gas supply market, including affiliate codes of conduct; universal service; and capacity release.

3. The Collaborative's meetings shall take place at the dates, times and locations as indicated in the procedural schedule attached as an Appendix to this order. The Collaborative's discussions shall include the issues listed on the agenda for each meeting. Each meeting shall be facilitated by Staff, who will also manage any necessary administrative arrangements.

4. Following the completion of the third Collaborative meeting, a comprehensive report shall be completed by the Collaborative summarizing the status of all the issues discussed, including areas where consensus has been reached. The report shall be submitted to the Commission no later than January 15, 1998. Submission of the report shall effectively close this proceeding.

5. In addition to the three scheduled Collaborative meetings there shall also be five meetings for the general public, which will be conducted by the Staff, and held at the dates, times and locations indicated on the procedural schedule. Collaborative members will be encouraged to attend. The purpose of these meetings will be to provide information to the general public on gas unbundling and retail gas competition, to gauge the level of interest for customer choice, and to allow members of the general public to ask questions and provide comments.

Done at Frankfort, Kentucky, this 26th day of September, 1997.


PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

ATTEST:

  
Executive Director

  
Commissioner

## APPENDIX

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN ADMINISTRATIVE CASE NO. 367 DATED 9/26/97

#### PROCEDURAL SCHEDULE

Collaborative Meeting	Frankfort	October 16, 1997	1:30 p.m. EDT
*General Public Meeting	Owensboro	October 22, 1997	7:00 p.m. CDT
*General Public Meeting	Louisville	October 28, 1997	7:00 p.m. EST
Collaborative Meeting	Frankfort	November 5, 1997	1:30 p.m. EST
*General Public Meeting	Northern Kentucky	November 13, 1997	7:00 p.m. EST
*General Public Meeting	Ashland	November 19, 1997	7:00 p.m. EST
Collaborative Meeting	Frankfort	December 4, 1997	1:30 p.m. EST
*General Public Meeting	Lexington	December 10, 1997	7:00 p.m. EST

\*The dates for the general public's meetings are tentative at present. Firm dates and the specific location for each meeting will be announced